# INCIS

International Carbon Investors & Services (INCIS), formerly European Carbon Investors & Services (ECIS), is a trade association formed by many of the financial institutions with a significant presence in the carbon markets. It also includes a number of international law firms, Kyoto project developers and the European Carbon Exchange.

INCIS believes that market mechanisms are a critical tool for reducing greenhouse gas emissions and thereby addressing one of the most urgent and severe problems faced by humanity today – climate change due to anthropogenic greenhouse gas emissions. To this end, INCIS supports the development of robust, well-functioning global emissions trading markets and its members share a common aspiration to ensure that where cap and trade mechanisms are adopted, they work effectively at reducing emissions of greenhouse gases (GHGs). INCIS upholds a number of principles necessary to create emissions markets with integrity, liquidity and breadth.

- Accurate and rigorous caps: Scarcity in allocation of allowances in a cap and trade system is necessary, as without a shortage, emissions are not reduced over time.
- Long-term regulatory framework: Dividing the system into multiple phases allows for revisiting design aspects, however each phase should be long enough to promote and reward investment in lower emitting technology.
- Multi-sector and multi-emissions coverage: A system that covers all or most of the major GHGs, as well as multiple sectors (aluminium, cement, steel, utilities, etc) will help benefit all players by bringing more opportunities for low-cost abatement to the market early, and distributing cost savings across the market.
- Project offsets: A system that allows high quality project credits will benefit all players by bringing lost-cost project-based emissions reductions into the market early. Over time, project offsets can also be used to support introduction of newer technologies, such as carbon sequestration. In addition, project offsets represent flexible supply to the market – as prices increase, more developers see opportunity to bring projects on-line thus increasing the supply of credits to the market. This in turn brings the price back down.
- No price caps: Price caps introduce significant market distortions, unless set sufficiently high that they are far along the marginal abatement cost curve. These market distortions will likely result in sub-optimal investment, as well as hamper the ability of market-based systems to spur early action by innovators and entrepreneurs. Instead, INCIS favors the prudent use of high quality project offsets to manage price volatility by increasing the supply of credits in response to demand evidenced by higher prices.
- Linkages to other GHG emissions markets: Climate change and GHG emissions are global issues. Linking the various GHG markets around the world, even indirectly through project offsets, benefits all players by bringing more opportunities for lower cost abatement to the market. This helps everyone by incenting action to reduce emissions as soon as those actions become cost-effective, and by allowing players in other markets to benefit from reduced costs.
- De-politicization of future decisions around cap levels, allowed project offset mechanisms, etc: It is important for the system to be able to respond to developments over time, however, given the long-term and global nature of the problem of climate change, it is desirable from an investment point-of-view that future decisions on the level of caps, allowed project offsets, etc be made using technical criteria, rather than in a political process.

Webpage: www.carboninvestors.org